

# HOUSE BILL REPORT

## SB 5021

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### As Passed House:

April 12, 1999

**Title:** An act relating to the property taxation of nonprofit organizations providing demonstration farms with research and extension facilities, public agricultural museums, and educational tour sites.

**Brief Description:** Exempting certain nonprofit organizations from property taxation.

**Sponsors:** Senators Snyder, Swecker, Winsley and Benton.

### Brief History:

#### Committee Activity:

Finance: 3/25/99, 4/5/99 [DP].

#### Floor Activity:

Passed House: 4/12/99, 94-0.

### Brief Summary of Bill

- Exempts demonstration farm and related facilities from property taxation if owned by a nonprofit organization and used by a state university for agricultural research and education programs.
- Provides that new property tax exemptions for nonprofit organizations will be subject to standard restrictions on the use of the property, unless exempted in the act creating the new exemption.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 12 members: Representatives Dunshee, Democratic Co-Chair; Thomas, Republican Co-Chair; Carrell, Republican Vice Chair; Reardon, Democratic Vice Chair; Cairnes; Conway; Cox; Dickerson; Pennington; Santos; Van Luven and Veloria.

**Staff:** Linda Brooks (786-7153).

### Background:

All property is subject to property tax unless specifically exempted by statute.

Several property tax exemptions exist for nonprofit organizations, including churches; church camps; character building, benevolent, protective or rehabilitative social service organizations; youth character building organizations; war veterans' organizations; national and international relief organizations; federal guaranteed student loan organizations; blood, bone and tissue banks; public assembly halls; medical research or training facilities; art, scientific, or historical collections and facilities; conservation futures; sheltered workshops; fair associations; humane societies; water distribution property; schools and colleges; radio/television rebroadcast facilities; fire company property; day-care centers; free public libraries; orphanages; nursing homes; hospitals; outpatient dialysis facilities; homes for the aging; homeless shelters; and performing arts property.

Most property tax exemptions for nonprofit organizations are subject to a group of standard conditions in a separate section of law. These conditions restrict the use of the property to exempt purposes, with certain exceptions. The property may be used for fund-raising activities without jeopardizing the exemption if the fund-raising activities are consistent with the purposes for which the exemption was granted. The property must be irrevocably dedicated to the purpose for which the exemption was granted. Leased property is not required to be irrevocably dedicated if the nonprofit organization receives the benefit of the property tax exemption under the terms of the loan or rental agreement. Facilities must be made available without regard to race, color, national origin, or ancestry. The books of the organization must be open to the Department of Revenue. Churches, cemeteries, administrative offices of religious organizations, caretakers' residences, water distribution cooperatives, and real property interests used for conservation by nonprofit nature conservancy organizations are exempt from these conditions.

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**Summary of Bill:**

All real and personal property owned by a nonprofit organization and used to provide a demonstration farm with research and extension facilities, a public agricultural museum, and an educational tour site is exempt from property taxation if the following conditions are met:

- property is used by a state university for agricultural research and education programs; and
- the nonprofit owner is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code.

This property tax exemption includes personal and real property, not exceeding 50 acres, that the nonprofit owner may use for the production and sale of agricultural products, if income from the agricultural products sold is used to further the purposes of the nonprofit organization.

Administrative statutes pertaining to nonprofit organizations are simplified. The statutes imposing conditions on nonprofit organizations apply to all new property tax exemptions for nonprofit organizations, unless a new exemption is specifically exempted. Also, if a private school or college uses leased property and the lease is canceled, back taxes will not be due.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This research farm was exempt from property taxes when it was owned by Washington State University. A few years ago the university had some funding difficulties, so cranberry growers formed a nonprofit group, the Pacific Coast Cranberry Research Foundation, that took over operation of the farm. When ownership of the farm passed from the university to the nonprofit organization, the property became subject to property taxes. This bill would again exempt the research farm from taxation. Although the nonprofit foundation owns the farm, the university still conducts research and has staff located on the farm. Research conducted at the farm benefits cranberry growers located in Washington, Oregon, and British Columbia.

**Testimony Against:** None.

**Testified:** Jerry Porter, Pacific County Assessor; and Kyle Brewe, Pacific Cranberry Research Foundation.